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Livestock Sector Woes Drive Down Soybean Import Forecast in MY19/20

Report Categories:
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Report Highlights:
Based on trends in the swine sector, the MY2019/20 soybean import forecast for China is reduced to 80 million metric tons (MMT). This reduction in import forecast will translate into a lower soybean crush, and soy oil and soybean meal use in 2019/20. The reduced soybean oil production in China will be offset by increases in other oil imports. Encouraged by the Chinese Government's subsidy policy favoring soybean production, farmers have increased planted area, and the forecast MY19/20 soybean production is increased to 17.1 MMT, up 1.2 MMT from MY18/19. Post also reduces its MY18/19 soybean import estimate to 82 MMT on shipment data marketing-year-to-date and future export prospects. Despite the reduced import demand in MYs 18/19 and 19/20 and the continued incentives to cultivate more soybeans in China, imports remain essential to meeting vegetable oil and protein meal demand.

Executive Summary:

Based on trends in the swine sector, the MY2019/20 soybean import forecast for China is reduced to 80 million metric tons (MMT). This reduction in import forecast will translate into a lower soybean crush, and soy oil and soybean meal use in 2019/20. The reduced soybean oil production in China will be offset by increases in other oil imports. Encouraged by the Chinese government's subsidy policy favoring soybean production, farmers have increased planted area, and the forecast MY19/20 soybean production is increased to 17.1 MMT, up 1.2 MMT from MY18/19. Post also reduces our MY18/19 soybean import estimate to 82 MMT on shipment data marketing-year-to-date and future export prospects. Despite the reduced import demand in MYs 18/19 and 19/20 and the continued incentives to cultivate more soybeans in China, imports remain essential to meeting vegetable oil and protein meal demand.

Soybean Meal Use Forecast to Fall in MY19/20 due to Low Feed Demand

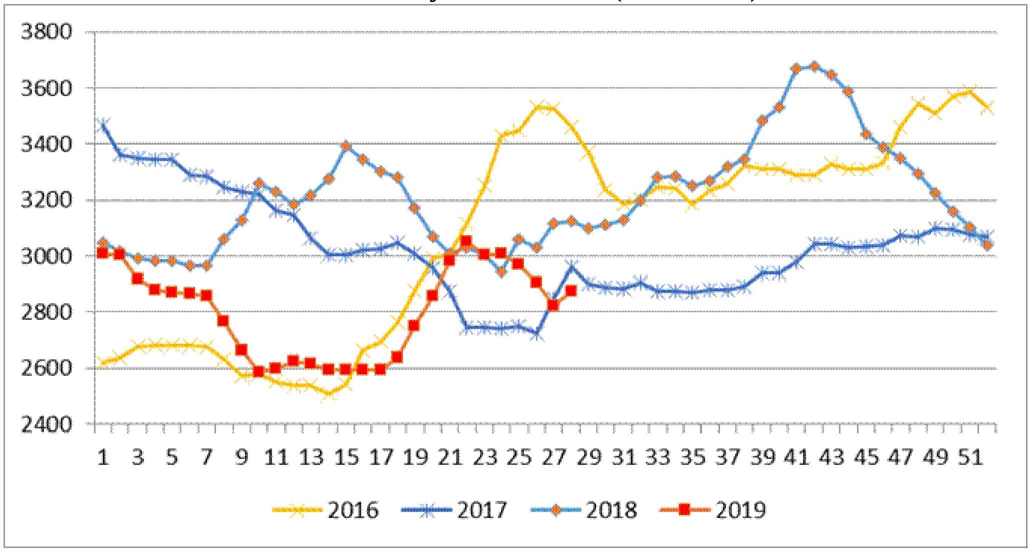
As a result of declining sow and hog inventories in MY18/19, protein meal consumption, in general, and soybean meal usage in particular, is expected to fall during MY19/20 as the livestock sector continues to grapple with African Swine Fever.[1] SBM feed use in MY19/20 is forecast further down to 62 MMT from the estimate of 65.7 MMT in MY18/19.

While industry sources estimate that, in the first half of 2019, total compound feed production was 85.33 MMT, up 0.9 percent from the previous year, industry contacts have reported production will significantly fall during the second half of 2019. Given soybean meal's prominence in many livestock and poultry rations, the forecast for soybean meal use will fall in MY19/20 as the feed industry adjusts to reduced demand from the swine sector.

[1] Please see FAS-Beijing's Livestock Annual Report, CH 19035 for more information.

Soybean meal prices ticked up slightly in recent weeks after a two-month long slide.

SBM Weekly Price Trend (RMB/MT)



Source: China JCI

Government Subsidies Drive Increased Soybean Production in MY19/20

MY 2019/20 soybean production is forecast to rise to 17.1 million metric tons (MMT), up 1.2 MMT or 7.5 percent from MY 2018/19. The Chinese government's subsidy program favoring soybean planting has encouraged farmers to add soybean acreage across the country. The subsidy incentive has been particularly effective in Northeast provinces. Total soybean planted area is forecast to reach 9 million hectares (MHa) in MY19/20. To date, weather during this growing season supports a slightly higher yield.

According to China's National Grain and Oils Information Center (CNGOIC), the average profits from soybean cultivation showed a comparative advantage over corn in major soybean-producing regions in MY18/19. Both CNGOIC and Ministry of Agriculture and Rural Affairs (MARA) noted that increased profits in MY18/19 translated into increased soybean planting area in key growing provinces, such as Heilongjiang (the largest soybean-producing province), Jilin, Shandong and Henan in MY19/20. In early July, a Chinese industry source raised its estimate of MY19/20 soybean planted area in Heilongjiang by 20 percent or a net growth of 0.67 MHa from the previous year.

Since the start of this year's growing season, weather conditions have remained favorable. Heilongjiang province has seen adequate rainfall which alleviated the dryness during the sowing period. To date, the growth of the crop is rated as "good." Promotion of crop rotation (soybean and corn/or forage), along with enhanced technical extension, are expected to moderately facilitate soybean yield gain this year.

Based on expanded planted acreage and moderate yield gain, most sources forecast MY19/20 soybean production at 17 MMT or above.

Trade

MY19/20 Soybean Imports Forecast Lowest in Five Years

China's soybean imports are forecast to fall further to 80 MMT in MY19/20, down from an estimated 82 MMT in MY18/19. The forecast 80 MMT soybean imports are the lowest since MY15/16. China imported 56.3 MMT of soybeans during the first three quarters of MY18/19, down 12.7 MMT from the same period last year. Given the pace of shipments to date and the average shipping pattern in the fourth quarter of MY18/19, Post adjusted down MY18/19 imports to 82 MMT. With the forecast decline in soybean consumption and lower soybean imports, China's soybean ending stocks in MY18/19 and MY19/20 are expected to fall as pipeline stocks begin to shrink to compensate for declining crush. As a result, the stocks to use ratios will remain about 19 percent in both MY 18/19 and MY 19/20.

Some Chinese sources, however, believe China's demand for SBM could recover in MY19/20 driving soybean imports higher than MY18/19.

Shifts Rapeseed and Sunflower Meal Imports

China's MY18/19 rapeseed imports from Canada are expected to fall to about 3.9 MMT, down from 4.7 MMT the previous year. In March 2019, China banned shipments from two of the largest Canadian rapeseed exporters to China. Since then, Chinese importers have slowed down signing new contracts for Canadian canola products. This will reduce MY 18/19 rapeseed imports and cut domestically crushed rapeseed meal and oil supply moderately. This trend is to continue in MY 19/20 with imports forecast to only moderately rebound at 4.1 MMT. Meanwhile, China's imports of sunflower seed meal, mainly from Ukraine, are expected to surge in MY18/19 to 900,000 tons and are forecast to remain at that level in MY19/20. While this is substantial growth from MY17/18, the overall impact to the protein meal market will be limited given the fall in soybean meal use.

Increased Vegetable Oil Imports Could Potentially Meet Domestic Supply Gap

Lower soybean and rapeseed imports in MY18/19 and MY19/20 are expected to result in a smaller oilseed crush volume, thereby reducing the supply of domestically-produced vegetable oils. This reduction will create opportunities for additional vegetable oil imports, including palm oil, soybean oil, rapeseed oil and sunflower seed oil.

Palm oil imports are estimated to surge to 6.2 MMT in MY18/19 and continue to rise to 6.7 MMT in MY19/20 as imported palm oil captures market share vacated by domestically produced soybean oil. Palm oil imports reached 4.4 MMT in the first eight months of MY18/19, up more than 21 percent during the same period last year. In addition to making up the gap in soybean oil supply to be used in blended cooking oil and the catering industry, China's palm oil consumption is also driven by use in traditional foods, especially instant noodles, snack foods, and western fast-food.
With market opportunities, both Malaysia and Indonesia have ramped up efforts to promote palm oil to China.

Rapeseed oil and sunflower seed oil imports are also expected to rise to 1.5 MMT and 1 MMT in

MY19/20, respectively, as the vegetable oil import market further diversifies to offset declining soybean oil production.

Oilseeds PSD Tables

Table 1. Soybeans

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Oilseed, Soybean (1000 tons; 1000 Ha)**					
	2017/18		**2018/19**		**2019/20**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2017		10/2018		10/2019
Area Planted	8,250	8,250	8,400	8,400	9,100	9,000
Area Harvested	8,250	8,250	8,400	8,400	9,100	9,000
Beginning Stocks	20,663	20,663	23,524	23,824	21,199	19,124
Production	15,200	15,200	15,900	15,900	17,000	17,100
MY Imports	94,095	94,095	85,000	82,000	87,000	80,000
Total Supply	129,958	129,958	124,424	121,724	125,199	116,224
MY Exports	134	134	125	100	125	100
Crush	90,000	90,000	86,000	85,500	86,000	80,500
Food Use Dom. Cons.	12,400	12,100	12,900	12,900	13,400	13,200
Feed Waste Dom. Cons.	3,900	3,900	4,200	4,100	4,300	4,100
Total Dom. Cons.	106,300	106,000	103,100	102,500	103,700	97,800
Ending Stocks	23,524	23,824	21,199	19,124	21,374	18,324
Total Distribution	129,958	129,958	124,424	121,724	125,199	116,224

Table 2. Rapeseed

PSD Table

Country	China, Peoples Republic of					
Commodity	Oilseed, Rapeseed (1000 tons; 1000 Ha)					
	2017/18		2018/19		2019/20	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2017		10/2018		10/2019
Area Planted	0	6,653	0	6,500	0	6,600
Area Harvested	6,653	6,653	6,468	6,500	6,600	6,600
Beginning Stocks	1,064	1,064	1,203	953	703	653
Production	13,274	13,274	12,850	12,900	13,100	13,100
MY Imports	4,715	4,715	3,850	3,900	4,100	4,100
Total Supply	19,053	19,053	17,903	17,753	17,903	17,853
MY Exports	0	0	0	0	0	0
Crush	17,300	17,500	16,650	16,500	16,600	16,600
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	550	600	550	600	550	600
Total Dom. Cons.	17,850	18,100	17,200	17,100	17,150	17,200
Ending Stocks	1,203	953	703	653	753	653
Total Distribution	19,053	19,053	17,903	17,753	17,903	17,853

Meal PSD Tables

Table 3. Soybean Meal

PSD Table

Country	**China, Peoples Republic of**					
Commodity	**Meal, Soybean (1000 tons)**					
	2017/18		**2018/19**		**2019/20**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2017		10/2018		10/2019
Crush	90,000	90,000	86,000	85,500	86,000	80,500
Extr. Rate, 999.9999	0.792	0.792	0.792	0.792	0.792	0.792
Beginning Stocks	0	0	0	0	0	0
Production	71,280	71,280	68,112	67,716	68,112	63,756
MY Imports	23	23	25	30	50	40
Total Supply	71,303	71,303	68,137	67,746	68,162	63,796
MY Exports	1,198	1,198	950	900	900	600
Industrial Dom. Cons.	1,100	1,100	1,150	1,150	1,200	1,200
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	69,005	69,005	66,037	65,696	66,062	61,996
Total Dom. Cons.	70,105	70,105	67,187	66,846	67,262	63,196
Ending Stocks	0	0	0	0	0	0
Total Distribution	71,303	71,303	68,137	67,746	68,162	63,796

Table 4. Rapeseed Meal

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Meal, Rapeseed (1000 tons)**					
	2017/18		**2018/19**		**2019/20**	
	USDA Official	Post Estimate	USDA Official	Post Estimate	USDA Official	Post Estimate

				New		New
Market Year Begin		10/2017		10/2018		10/2019
Crush	17,300	17,500	16,650	16,500	16,600	16,600
Extr. Rate, 999.9999	0.590	0.590	0.590	0.590	0.590	0.590
Beginning Stocks	0	0	0	0	0	0
Production	10,209	10,326	9,825	9,735	9,796	9,794
MY Imports	1,258	1,258	1,325	1,200	1,225	1,200
Total Supply	11,467	11,584	11,150	10,935	11,021	10,994
MY Exports	14	14	14	15	15	10
Industrial Dom. Cons.	468	450	473	450	473	450
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	10,985	11,120	10,663	10,470	10,533	10,534
Total Dom. Cons.	11,453	11,570	11,136	10,920	11,006	10,984
Ending Stocks	0	0	0	0	0	0
Total Distribution	11,467	11,584	11,150	10,935	11,021	10,994

Table 5. Sunflower Seed Meal

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Meal, Sunflower Seed (1000 tons)**					
	2017/18		**2018/19**		**2019/20**	
	USDA Official	Post Estimate	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2017		10/2018		10/2019
Crush	1,800	1,800	2,000	2,050	2,035	2,060

Extr. Rate, 999.9999	0.545	0.545	0.545	0.5449	0.545	0.5451
Beginning Stocks	0	0	0	0	0	0
Production	981	981	1,090	1,117	1,109	1,123
MY Imports	210	210	900	900	1,000	900
Total Supply	1,191	1,191	1,990	2,017	2,109	2,023
MY Exports	24	24	20	10	20	10
Industrial Dom. Cons.	62	0	62	0	62	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	1,105	1,167	1,908	2,007	2,027	2,013
Total Dom. Cons.	1,167	1,167	1,970	2,007	2,089	2,013
Ending Stocks	0	0	0	0	0	0
Total Distribution	1,191	1,191	1,990	2,017	2,109	2,023
SBM Equivalent	1,800	1,800	2,000	2,050	2,035	2,060

Oil PSD Tables

Table 6. Soybean Oil

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Oil, Soybean (1000 tons)**					
	2017/18		**2018/19**		**2019/20**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2017		10/2018		10/2019
Crush	90,000	90,000	86,000	85,500	86,000	80,500

Extr. Rate, 999.9999	0.179	0.179	0.179	0.179	0.179	0.179
Beginning Stocks	670	670	568	568	505	743
Production	16,128	16,128	15,411	15,305	15,411	14,409
MY Imports	481	481	800	1,200	1,100	1,800
Total Supply	17,279	17,279	16,779	17,073	17,016	16,952
MY Exports	211	211	160	130	125	100
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	16,500	16,500	16,114	16,200	16,391	16,252
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	16,500	16,500	16,114	16,200	16,391	16,252
Ending Stocks	568	568	505	743	500	600
Total Distribution	17,279	17,279	16,779	17,073	17,016	16,952

Table 7. Rapeseed Oil

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Oil, Rapeseed (1000 tons)**					
	2017/18		**2018/19**		**2019/20**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2017		10/2018		10/2019
Crush	17,300	17,500	16,650	16,500	16,600	16,600
Extr. Rate, 999.9999	0.39	0.39	0.39	0.39	0.39	0.39
Beginning Stocks	2,543	2,543	1,741	1,719	1,300	1,034
Production	6,747	6,825	6,494	6,435	6,474	6,474
MY Imports	1,067	1,067	1,350	1,300	1,400	1,500
Total Supply	10,357	10,435	9,585	9,454	9,174	9,008
MY Exports	16	16	17	20	15	15

Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	8,600	8,700	8,268	8,400	8,159	8,400
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	8,600	8,700	8,268	8,400	8,159	8,400
Ending Stocks	1,741	1,719	1,300	1,034	1,000	593
Total Distribution	10,357	10,435	9,585	9,454	9,174	9,008

Table 8. Palm Oil

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Oil, Palm (1000 tons)**					
	2017/18		**2018/19**		**2019/20**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2017		10/2018		10/2019
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Trees	0	0	0	0	0	0
Beginning Stocks	307	307	495	495	300	515
Production	0	0	0	0	0	0
MY Imports	5,320	5,320	6,300	6,200	6,700	6,700
Total Supply	5,627	5,627	6,795	6,695	7,000	7,215
MY Exports	32	32	30	30	30	30
Industrial Dom. Cons.	2,200	2,200	2,400	2,250	2,400	2,400
Food Use Dom. Cons.	2,900	2,900	4,065	3,900	4,270	4,350
Feed Waste Dom. Cons.	0	0	0	0	0	0

Total Dom. Cons.	5,100	5,100	6,465	6,150	6,670	6,750
Ending Stocks	495	495	300	515	300	435
Total Distribution	5,627	5,627	6,795	6,695	7,000	7,215